CITY OF

LONDON

1986
FINANCIAL REPORT

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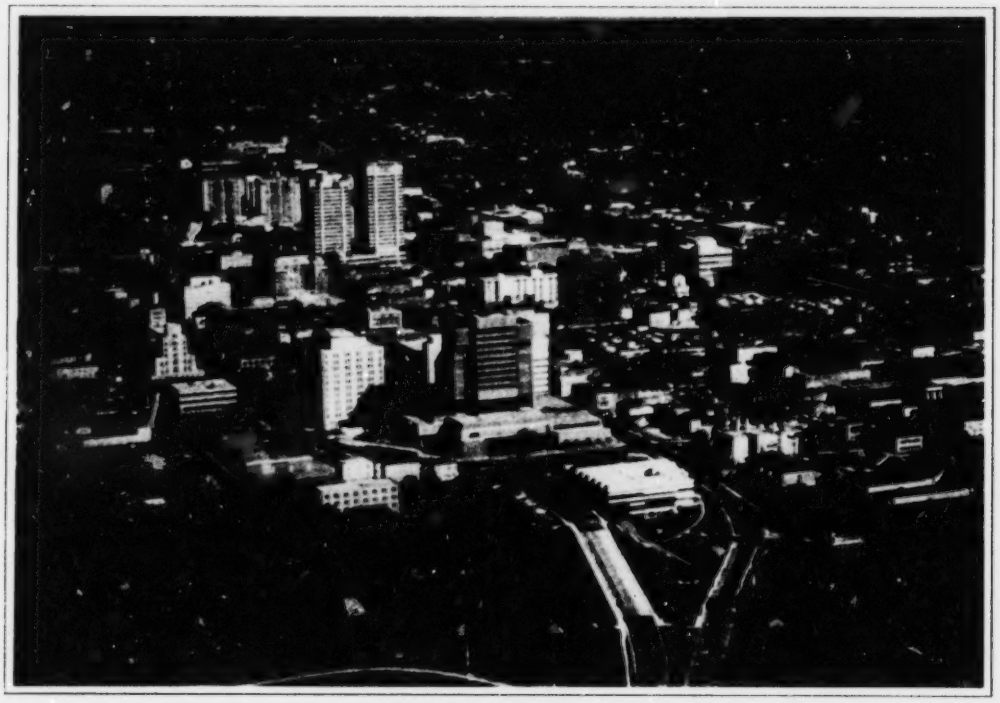
AN AERIAL VIEW OF LONDON



THE CORPORATION OF THE CITY OF LONDON

FINANCIAL REPORT

for the year ended December 31, 1986

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LONDON
Ontario,Canada

THE CORPORATION OF THE CITY OF LONDON
300 DUFFERIN AVENUE
P.O. Box 5035
London, Ontario, Canada
N6A 4L9

THE MUNICIPAL COUNCIL

DECEMBER 1, 1985 to NOVEMBER 30, 1988

MAYOR
Tom Gosnell

CONTROLLER (a)(c)
Jack Burghardt

CONTROLLER (b)
Orlando Zamprogna

CONTROLLER (c)
Art Cartier

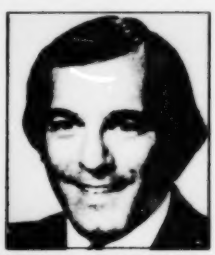
CONTROLLER (d)
Joseph Fontana

WARD 1 ALDERMAN (b)
John Irvine

WARD 1 ALDERMAN (d)
Joe Avola

WARD 2 ALDERMAN (d)
Bob Beccarea

WARD 2 ALDERMAN (b)
Frank Flitton



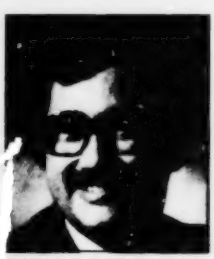
WARD 3 ALDERMAN (d)
Pat O'Brien

WARD 3 ALDERMAN (b)
Bernie MacDonald

WARD 4 ALDERMAN (c)
Alf James

WARD 4 ALDERMAN (b)
Dawn Erskine

WARD 5 ALDERMAN (d*)
Grant Hopcroft

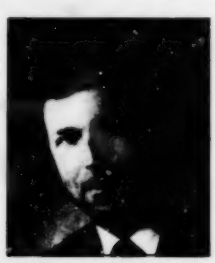


WARD 5 ALDERMAN (b*)
Gary Williams

WARD 6 ALDERMAN (c)
Janet McEwen

WARD 6 ALDERMAN (*c)
Paul Yorke

WARD 7 ALDERMAN (c)
Gordon Jorgenson



WARD 7 ALDERMAN (d)
Ted Wernham

(a) Deputy Mayor, (b) Member of Environment & Transportation Committee, (c) Member of Community & Protective Services Committee, (d) Member of Planning Committee, * Indicates Chairman of Committee

THE CITY ADMINISTRATION

CITY OF LONDON SENIOR MANAGEMENT TEAM

M. C. ENGELS
City Administrator

K. W. SADLER
City Clerk

S. F. READINGS
City Treasurer

D. B. DUTTON
City Engineer

R. A. BLACKWELL
City Solicitor

K. L. PERRY
Director of Planning
and Development

H. G. HOWLETT
Director of Social
Administration

LETTER OF SUBMITTAL

April 14, 1987

His Worship, Mayor T.C. Gosnell
and Members of Council of
The Corporation of the City of London

Your Worship, Ladies and Gentlemen:

It is my privilege to present to you the Financial Report of The Corporation of the City of London and its related Boards and Commissions consolidated according to Provincial guidelines for the year ended December 31, 1986.

The Report includes a Consolidated Balance Sheet and a Consolidated Statement of Operations for the Corporation as well as other supporting schedules. These statements and schedules represent prudent financial policies on the part of City Council and the administration. In addition, these financial statements are a report on the stewardship of the City's operations through the provision of services to the citizens of London. The statements are prepared in accordance with the requirements of the Ministry of Municipal Affairs. The auditors' report from Touche Ross & Co. attests that these statements present fairly the results of operation and financial position of the City.

All supporting schedules and audited statements for each of the Boards and Commissions, as submitted to the Ministry of Municipal Affairs, are available upon request through my office.

In an effort to provide additional information relevant to the City's financial position, we have also included a Treasurer's Highlight Report and several pages of financial and statistical data which may be of assistance in assessing London's overall financial strength.

The year 1986 was an excellent year for London as a community and a financial success for the municipal Corporation. We look forward to an equally successful 1987.

S. F. Readings
City Treasurer

TREASURER'S HIGHLIGHT REPORT

The following comments are intended to highlight for the reader those items of analyses which the City Treasurer feels are pertinent to a proper perspective and understanding of the financial position of the municipality.

The comments prepared relate to the Financial Report and supporting schedules of the municipality.

Municipal Fund Balances

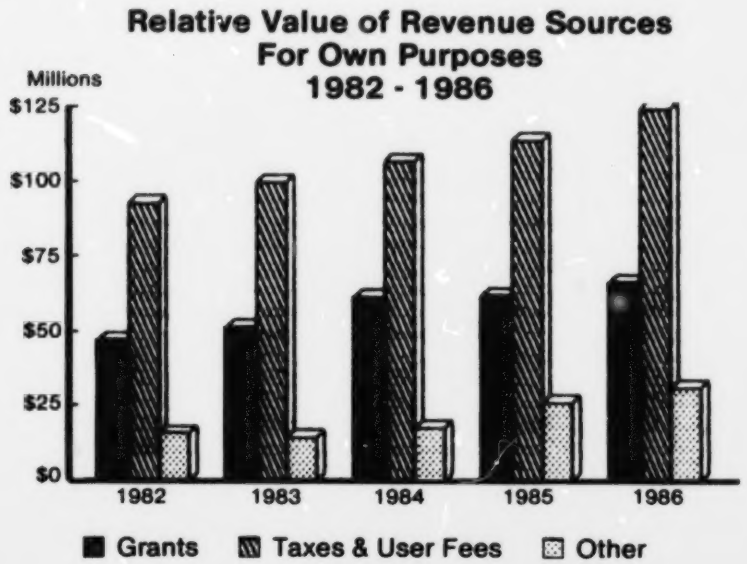
The caption municipal fund balances in the financial report refers to two elements that the reader may be more familiar with as accumulated surplus or deficit for the revenue fund, and the over and under financed position of the capital fund at year end.

Note 9 to the financial statements segregates the municipal fund balances into six categories and reflects a net decrease of $492,882 in the year-end position 1986 over 1985. Of this amount, $369,497 is attributable to the revenue fund and $123,385 to the capital fund.

The overall decrease in municipal fund balances should not be considered as negative, rather, the reader should note the continued strong performance of the municipality in the revenue fund. The consolidated surplus of $3,048,247 was generated primarily through unprojected revenues in supplementary taxes and building permits. Both elements being indicative of an extremely positive year of residential and commercial development, and in general a very buoyant London economy.

Revenue Sources

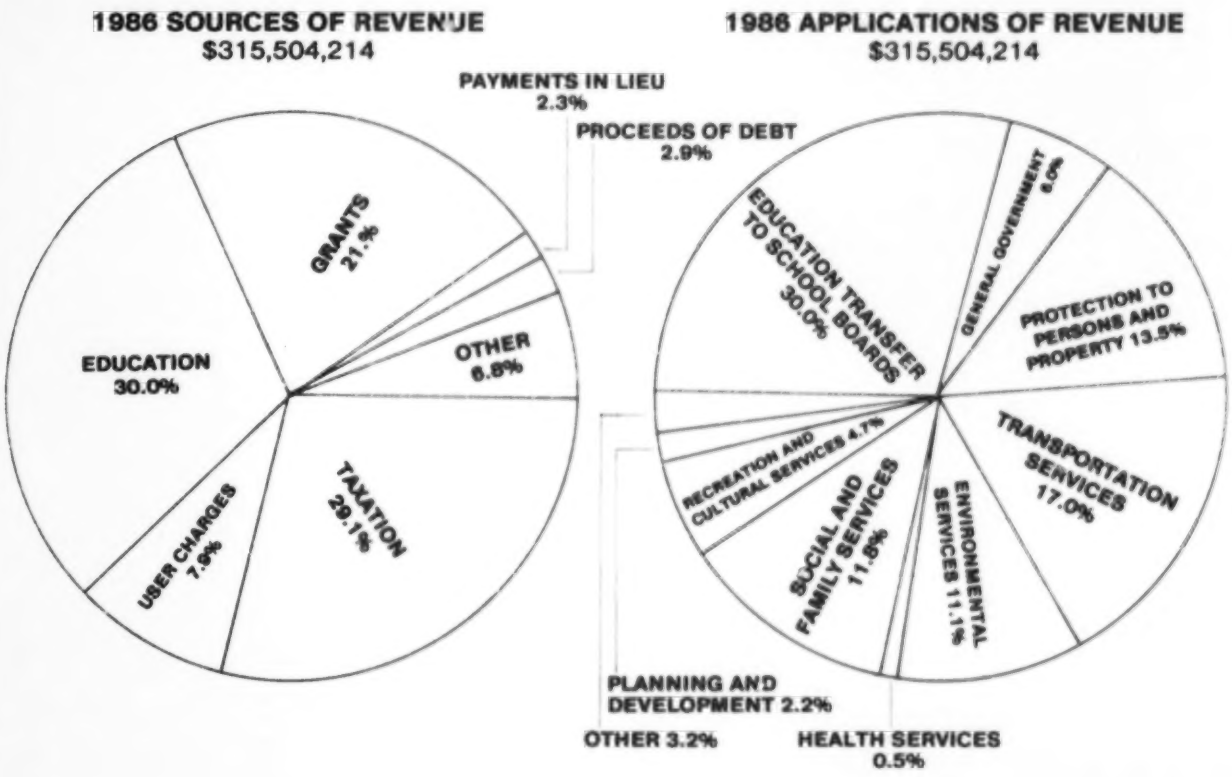
The bar graph below illustrates the relative value of the sources of revenue for all City funds combined for each of the last five years.



TREASURER'S HIGHLIGHT REPORT

Sources and Applications of Revenues

The following two pie graphs highlight the sources and applications of revenue in 1986. The graphs combine the operations of the current fund, capital fund and all reserves and reserve funds.



Taxes Receivable

The City of London's taxes receivable position continues to be excellent. At the end of 1986, taxes receivable were 2.3% of the total taxes levied for 1986. This compares very favourably with the position at the end of 1985, which was 3.1% of the total 1985 taxes levied. The following table highlights the two years' information:

	1986	1985
Total Taxes Levied	$186,422,422	$166,408,009
Taxes Receivable as at December 31	$ 4,241,446	$ 5,202,413
Taxes Receivable Expressed as a Percentage of Total Taxes Levied	2.3%	3.1%

Note: Taxes Receivable do not include an offset for the balance in the allowance account.

TREASURER'S HIGHLIGHT REPORT

Credit Rating

Moody's Investors Services have awarded London the outstanding Aaa credit rating.

To quote from Moody's Canadian Credit Report dated March 17, 1986 relative to an issue of 8.5% Serial Debentures due December 15, 1983-97; U.S. Pay:

> "Prime credit quality is provided by low debt burden, rapid payout, satisfactory financial operations and a stable, diversified economy which has grown increasingly service-oriented."

The ongoing commitment of the Municipal Council, and the City Administration to sound financial management contributes to such positive statements.

1986 Debenture Issue

On September 17, 1986, The Corporation of the City of London received bids on $9,400,000 (CDN) of new debenture debt, dated October 31, 1986.

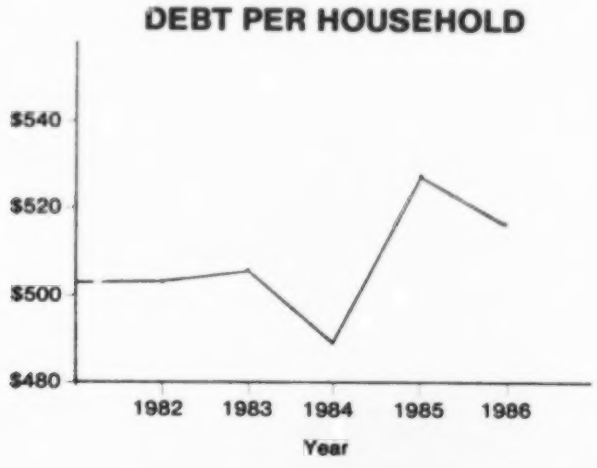
Commensurate with the City's excellent credit rating as well as interest rates properly in tune with market conditions, the bids received ranged between $99.441 per $100.00 to $98.354 per $100.00, with the Toronto Dominion Bank being awarded the bid at $99.441 per $100.00, reflecting an average interest cost of 9.443% for the lifetime of the issue.

The issue was in the form of serial instalment debentures maturing between 1987 and 1995. The corresponding interest rates ranged from 9% for the early maturities to 9.5% for the later maturities.

The purpose of the issue was to assist in financing a variety of municipal projects such as road improvements, sidewalk repairs, sewer installations and pollution control upgrades.

Analysis of Net Long-Term Liabilities

The following graph and chart highlights statistics relative to the net City debt for each of the past five years. The debt figures shown are converted to equivalent Canadian dollars as at the date of the acquisition of the debt.



TREASURER'S HIGHLIGHT REPORT

Year	Tax Supported Net Long-Term Debt (General Municipal Activities) (000's) $	Households	Debt Per Household $
1982	53,782	106,537	505
1983	54,781	108,049	507
1984	52,977	108,181	490
1985	57,844	110,359	524
1986	58,297	113,617	513

Projection for Future Debt Charges for Net Long-Term Liabilities Existing at December 31, 1986

The following table outlines the debt charges payable over the next five years relative to the net long-term liabilities outstanding as at December 31, 1986. No attempt has been made to forecast the foreign exchange differential on payments of debt outstanding in U.S. dollars.

Retirement of Existing Debt

In recent years, the City of London has committed itself to shorter repayment periods on debt issued. While there is no question the City of London will incur future debt by dealing only with the Tax Supported Debt outstanding at December 31,1986, the following table should highlight two points for the reader. Firstly, our accelerated repayment process and secondly, the dollars committed in each of the next five years to debt charges. (The amounts shown reflect no foreign exchange effects, either historical or projected).

Tax Supported Debt Outstanding as at December 31, 1986

1986 $	1987 $	1988 $	1989 $	1990 $	1991 $
55,671,000	47,210,000	39,723,000	32,592,000	26,061,000	20,342,000
100.0%	84.8%	71.4%	58.5%	46.8%	36.5%

Debt Charges on Tax Supported Debt Outstanding as at December 31, 1986

	1987 $	1988 $	1989 $	1990 $	1991 $
Principal	8,461	7,487	7,131	6,531	5,719
Interest	5,477	4,681	3,948	3,249	2,603
Total	13,938	12,168	11,079	9,780	8,322

Mill Rate Growth

The Municipal Council and the City Administration has committed themselves to containing the growth of the municipal mill rate. The year 1986 continued that trend, and as of the writing of this report, the setting of the 1987 municipal rates further solidifies the commitment of both parties to this goal.

TREASURER'S HIGHLIGHT REPORT

The following table highlights the growth in the general municipal residential mill rate, relative to the Consumer Price Index, and the residential mill rate for education purposes.

		Residential Mill Rates	
	Consumer Price Index %	General Municipal %	School Board Purposes %
1983	100.0	100.0	100.0
1984	104.4	105.1	108.8
1985	108.5	109.4	116.3
1986	113.0	113.7	127.6
1987	not yet known	117.3	135.3

COMPARISON OF RESIDENTIAL MILL RATES WITH CONSUMER PRICE INDEX

PROPERTY TAXES

	1987	1986	1985	1984	1983
Municipal	$ 647.76	$ 627.84	$ 604.32	$ 580.32	$ 552.36
Education	675.96	637.56	581.10	543.48	543.48
Total	$1,323.72	$1,265.40	$1,185.42	$1,123.80	$1,051.98
Indexed	125.83%	120.29%	112.68%	106.83%	100.00%

NOTE: The taxes are based on average residential assessment of $6,000.

TREASURER'S HIGHLIGHT REPORT

Reserves and Reserve Funds

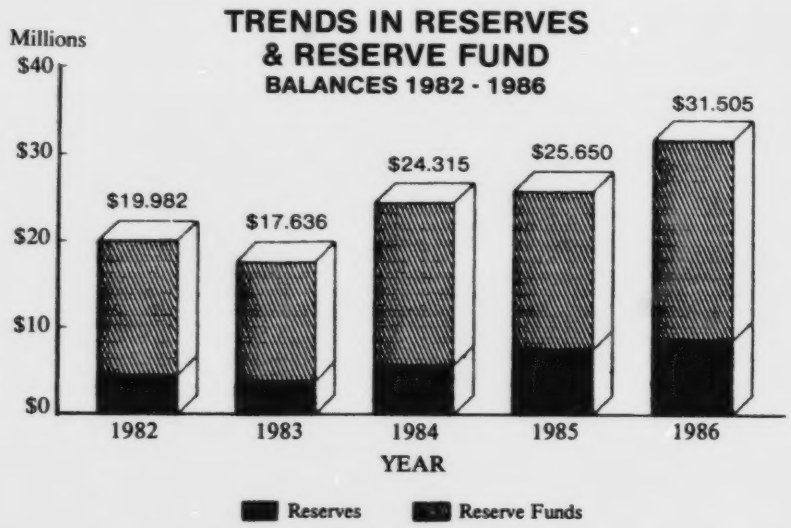
As at December 31, 1986, the Municipality had combined reserves and reserve funds of **$31,504,912.** These balances reflect a net increase of $5,855,314 over the December 31, 1985 closing balances.

Note 10 of the financial statements provides a breakdown of the reserves and reserve funds by purpose and would be useful for the reader to review in connection with these highlights. Below is a breakdown of the reserves and reserve funds by entity:

	Reserves		Reserve Funds	
	1986 $	1985 $	1986 $	1985 $
City of London	7,433,559	6,557,553	20,612,063	15,909,606
Board of Commissioners of Police			50,075	103,631
London Public Library	12,925	70,567		129,533
London Downtown B.I.A.	15,615	8,615		
East London B.I.A. (Centretown B.I.A.)	3,897	3,897		
L.T.C.	1,124,458	876,136	2,252,320	1,990,060
	8,590,454	7,516,768	22,914,458	18,132,830

A restatement of the 1985 figures for the London Public Library Board has been made for comparability.

The reader should also note that included in the reserve fund balances for the City of London is the Urban Growth Capital Works Reserve Fund. The value of this reserve fund at December 31, 1986 is **$6,612,752** (1985 - $2,451,876) and the most significant element contributing to the net increase in balances in reserves and reserve funds is $4,160,876 increase in the balance of that fund. This increase is attributable to the exceptional year the City experienced in residential and commercial development. There was also a noteworthy increase of almost $600,000 in the reserves and reserve funds being held for self-insurance purposes. This is generally reflective of larger contributions being made to these reserves and reserve funds to fund the assumption of higher deductibles.



TREASURER'S HIGHLIGHT REPORT

Economic Highlights

While the following highlights do not discuss items specifically addressed within the financial statements, they do, we trust, provide the reader with a frame of reference on which to base an evaluation of the overall financial and economic environment in the City of London.

General Statistics:

	1986	1985
Population	277,000	276,000
Area in Acres	43,900	43,900
Number of Households	113,617	110,359
Building Permit Values	$329,000,807	$200,466,497

Average Selling Price of Homes:

	1986 $	1985 $
London	83,140	67,246
Ontario	108,149	86,106
Canada	94,902	81,155

Source: Canadian Real Estate Board

Unemployment Rates:

	1986 $	1985 $
London	7.1	8.8
Ontario	7.0	8.0
Canada	9.6	11.3

Source: Statistics Canada

Summation

There is no question 1986 was an excellent year for London as a community and a financial success for the Municipal Corporation.

FIVE YEAR FINA

	1986
TAXABLE ASSESSMENT	
Residential and Farm	$532,084
Commercial and Industrial	181,246
Business	80,111
TOTAL TAXABLE ASSESSMENT	**$793,441**
EXEMPT ASSESSMENT	$188,329
MILL RATES	
Residential and Farm	
for General Municipal Purposes	104.64
for School Board Purposes	106.26
Total Residential and Farm	210.90
Commercial and Industrial	248.11
TAX ARREARS	
Percentage of Current Levy (including allowance account)	2.0%
REVENUE	
General Municipal	$220,991
School Boards	94,513
TOTAL REVENUE	$315,504
EXPENDITURE	
General Municipal	$220,991
School Boards	94,513
TOTAL EXPENDITURE	$315,504
NET LONG-TERM LIABILITIES	
General Municipal	$55,964
Municipal Enterprises	$ 2,333
CHARGES FOR NET LONG-TERM LIABILITIES	
General Municipal Activities	$13,992
CAPITAL FINANCING DURING THE YEAR	
Contribution from own funds	$ 8,147
Long-Term Liabilities incurred	9,150
Ontario Grants	7,980
Other	1,301
	$26,578
CAPITAL EXPENDITURES DURING THE YEAR	$26,701
ACCUMULATED NET REVENUE AT THE END OF THE YEAR	$ 3,048
RESERVES AND RESERVE FUNDS	$31,505

Note: All dollar amounts are in thousands of dollars.

1985	1984	1983	1982
$510,645	$503,832	$492,884	$484,782
169,549	166,038	164,826	165,651
75,339	74,339	74,297	74,785
$755,533	$744,209	$732,007	$725,218
$169,722	$174,365	$176,762	$174,339
100.72	96.72	92.06	86.79
96.85	90.58	83.27	72.82
197.57	187.30	175.33	159.61
220.35	206.26	187.78	172.65
3.0%	4.6%	5.5%	5.6%
$201,065	$185,040	$165,176	$155,477
82,214	75,405	68,335	59,122
$283,279	$260,445	$233,511	$214,599
$201,065	$185,040	$165,176	$155,477
82,214	75,405	68,335	59,122
$283,279	$260,445	$233,511	$214,599
$55,885	$50,628	$51,989	$50,521
$ 1,959	$ 2,350	$ 2,791	$ 7,189
$12,234	$13,247	$12,264	$11,715
$ 6,615	$ 4,650	$ 5,765	$ 6,462
12,632	6,058	8,100	6,890
5,624	6,731	4,257	4,313
1,793	1,513	772	1,045
$26,664	$18,952	$18,894	$18,710
$23,733	$20,613	$17,682	$16,310
$ 3,418	$ 1,809	$ 504	$ 571
$25,650	$24,315	$20,183	$20,022

AUDITORS' REPORT

Touche Ross & Co
Chartered Accountants
301 Victoria Park Executive Centre
255 Dufferin Avenue
London Ontario N6A 5K6
Telephone 519 679-1880

Touche Ross

AUDITORS' REPORT

To the Members of Council, Inhabitants
and Ratepayers of the Corporation of
the City of London.

We have examined the consolidated balance sheet of the Corporation of the City of London as at December 31, 1986 and the consolidated statement of operations for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation of the City of London as at December 31, 1986 and the results of its operations for the year then ended in accordance with the accounting principles disclosed in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

TOUCHE ROSS & CO.
Chartered Accountants,
Licence Number 1239

London, Canada,
March 31, 1987.

Touche Ross International

CONSOLIDATED BALANCE SHEET as at December 31, 1986

	1986 $	1985 $
ASSETS		
Unrestricted		
Cash	14,921,668	8,609,752
Taxes receivable	3,696,704	4,890,119
Accounts receivable	6,097,101	9,870,255
Other current assets	1,982,346	1,624,944
Long-term receivables	184,712	543,859
Investment in own debentures	739	1,661
	26,883,270	25,540,590
Restricted		
Cash	18,929,736	13,976,931
Accounts receivable	272,500	95,939
Long-term receivables	2,150,000	2,150,000
Investment in own debentures	1,562,222	1,909,960
	22,914,458	18,132,830
Capital outlay financed by long-term liabilities and to be recovered in future years (note 1)	58,296,854	57,843,793
	108,094,582	101,517,213
LIABILITIES		
Temporary loans	0	0
Accounts payable and accrued liabilities	12,101,158	12,632,611
Other current liabilities	1,801,196	507,867
	13,902,354	13,140,478
Net long-term liabilities (note 8)	58,296,854	57,843,793
FUND BALANCES AT THE END OF THE YEAR		
To be used to offset (or to be recovered from) taxation or user charges (note 9)	3,048,247	3,417,744
Unexpended capital financing (or capital operations not yet permanently financed) (note 9)	1,342,215	1,465,600
Reserves (note 10)	8,590,454	7,516,768
Reserve funds (note 10)	22,914,458	18,132,830
	108,094,582	101,517,213

The accompanying notes are an integral part of this financial statement.

CONSOLIDATED STATEMENT OF OPERA

	1986 $	1985 $
SOURCES OF FINANCING:		
Taxation and user charges		
Residential and farm taxation	114,405,139	102,347,048
Commercial, industrial and business taxation	72,017,283	64,060,961
Taxation from other governments	7,159,591	7,069,103
User charges	24,883,596	22,301,921
Deduct: Amounts received or receivable for school boards	(94,512,764)	(82,213,772)
Grants		
Government of Canada	192,733	685,694
Province of Ontario	65,995,261	60,876,809
Other municipalities	80,104	47,488
Other		
Contributions from developers	8,022,428	4,977,444
Investment income	4,168,546	3,286,283
Sale of land	414,569	499,495
Miscellaneous	4,131,620	4,283,403
Proceeds from the issue of long-term liabilities	9,150,000	12,500,000
MUNICIPAL FUND BALANCES AT THE BEGINNING OF THE YEAR (note 9)		
To be used to offset (or to be recovered from) taxation or user charges	3,417,744	1,808,828
Unexpended capital financing (or capital operations not yet financed)	1,465,600	(1,465,789)
Total financing available during the year	220,991,450	201,064,916

The accompanying notes are an integ

TIONS For the year ended December 31, 1986

	1986 $	1985 $
APPLIED TO:		
Current operations		
General government	17,738,340	16,594,402
Protection to persons and property	41,460,146	38,340,076
Transportation services	41,482,301	37,819,161
Environmental services	23,534,373	21,576,819
Health services	1,620,396	1,526,829
Social and family services	36,695,335	33,858,010
Recreation and cultural services	13,028,602	12,227,258
Planning and development	4,253,457	5,450,003
	179,812,950	167,392,558
Capital		
General government	1,198,050	915,840
Protection to persons and property	1,137,308	768,925
Transportation services	12,090,095	15,133,431
Environmental services	11,516,460	6,305,924
Social and family services	451,038	321,551
Recreation and cultural services	1,933,497	3,050,948
Planning and development	2,606,276	1,087,692
	30,932,724	27,584,311
Net appropriations to reserves and reserve funds	5,855,314	1,204,703
MUNICIPAL FUND BALANCES AT THE END OF THE YEAR (note 9)		
To be used to offset (or to be recovered from) taxation or user charges	3,048,247	3,417,744
Unexpended capital financing (or capital operations not yet financed)	1,342,215	1,465,600
Total applications during the year	220,991,450	201,064,916

al part of this financial statement.

NOTES TO THE FINANCIAL STATEMENTS

1. a) **Accounting Policies**

The consolidated financial statements of The Corporation of the City of London are the representation of management, prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations.

(i) Basis of Consolidation

These consolidated statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund, reserve funds and reserves and include the activities of all committees of Council and the following boards, municipal enterprises and utilities:

The Board of Commissioners of Police of the City of London
London Transit Commission
London Public Library Board
East London Improvement Area (also known as Centretown B.I.A.)
London Downtown Improvement Area

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the municipality and the resulting interest income and expenditures.

(ii) Non-Consolidated Entities

The following local boards, joint local boards, municipal enterprises and utilities are not consolidated:

London Public Utilities Commission - Electrical Department
London Public Utilities Commission - Water Department
London Public Utilities Commission - Parks Department
London Public Utilities Commission - Recreation Department
London Public Utilities Commission - P.U.C. Sports and Recreation Incorporated
London Public Utilities Commission - Storybook Gardens
Middlesex-London District Health Unit
London Regional Art Gallery

(iii) Accounting for School Board Transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances of these financial statements. Overlevies (underlevies) are reported on the "Consolidated Balance Sheet" as "other current liabilities" ("other current assets").

NOTES TO THE FINANCIAL STATEMENTS

(iv) Trust funds and their related operations, administered by the Municipality, are not included in the "Consolidated Balance Sheet" nor have their operations been included on the "Consolidated Statement of Operations", but are reported on the "Trust Fund Statements of Continuity and Balance Sheet".

(v) Certain 1985 comparative figures have been reclassified to conform with the 1986 financial statement presentation.

b) **Basis of Accounting**

(i) Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal and interest charges on long-term liabilities which are charged against operations in the periods in which they are paid.

(ii) The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(iii) Fixed Assets

The historical cost and accumulated depreciation for fixed assets are not recorded for municipal purposes. The cost of acquiring fixed assets is reported as an expenditure on the "Consolidated Statement of Operations" in the year of acquisition.

(iv) Capital Outlay to be Recovered in Future Years

"Capital outlay to be recovered in future years", which represents the outstanding principal portion of unmatured long-term liabilities for municipal expenditures or capital funds transferred to other organizations, is reported on the "Consolidated Balance Sheet".

2. **Operations of School Boards**

Further to note 1 (a) (iii), the taxation, other revenues, expenditures and overlevies (underlevies) of the school boards are comprised of the following:

	1986 $	1985 $
Taxation and User Charges	94,512,764	82,213,772
Less: Requisitions	94,507,180	82,214,480
Overlevies (underlevies) for the year	5,584	(708)
Overlevies (underlevies) at the beginning of the year	(2,692)	1,984
Overlevies (underlevies) at the end of the year	2,892	(2,692)

NOTES TO THE FINANCIAL STATEMENTS

3. Contributions to Unconsolidated Joint Board

Further to note 1 (a) (ii), the following contribution was made by the Municipality to the board noted below:

	1986 $	1985 $
Middlesex-London District Health Unit	1,620,396	1,526,829

4. Trust Funds

Trust funds administered by the Municipality amounting to **$4,149,329** (1985 - $4,195,082) have not been included in the "Consolidated Balance Sheet" nor have their operations been included in the "Consolidated Statement of Operations".

5. Past-Service Pension Liability

a) The City of London does not fund its liability with respect to past-service pensions payable under Section 100 of The Municipal Act. The past-service portion of annual payments to retired employees is financed out of the revenue of the year in which payments are made. The amount paid during the year ended December 31, 1986 was **$258,338** (1985 - $245,903).

b) The City of London has a liability as at December 31, 1986 to the Ontario Municipal Employees Retirement System for supplementary benefits in the amount of **$7,178,072** (1985 - $8,071,299).

This liability consists of plans covering the following repayment periods: **$6,996,974** (1985 - $7,880,128) will be retired by annual payments over the next six years; **$181,098** (1985 - $191,171) will be retired by annual payments over the next eleven years. These amounts are reviewed on a periodic basis in accordance with statutory requirements.

This liability is not recorded on the "Consolidated Balance Sheet" as at December 31, 1986.

6. Liability for Vested Sick Leave Benefits

Under the sick leave benefit plan, unused sick leave accumulates and certain employees having a specific number of years of service become entitled to a cash payment to a maximum of one half of a year's salary on termination of service. The liability as at December 31, 1986 for these accumulated days, to the extent that they could be taken in cash by an employee on termination, amounts to approximately **$14,140,000** (1985 - $14, 250,000).

An amount of **$1,008,082** (1985 - $1,356,969) has been provided for this liability and is reported on the "Consolidated Balance Sheet".

NOTES TO THE FINANCIAL STATEMENTS

7. Liability for Vacation Credits

Under the provisions of certain employee vacation plans, some vacation credits are earned as at December 31 but are generally unavailable for use until a later date. In addition, the provisions of certain plans allow the accumulation of vacation credits for use in future periods. The approximate value of these credits as at December 31, 1986 is **$3,217,000** (comparative figures for 1985 are unavailable).

This liability is not recorded on the "Consolidated Balance Sheet".

8. Net Long-Term Liabilities

	1986 $	1985 $
a) The balance of net long-term liabilities reported on the "Consolidated Balance Sheet" is made up of the following:		
Total long-term liabilities incurred by the Municipality, including those incurred on behalf of school boards, unconsolidated local boards, municipal enterprises and utilities and outstanding at the end of the year amount to	64,783,137	65,565,599
The responsibility for payment of certain principal and interest charges has been assumed by school boards, unconsolidated local boards, municipal enterprises and utilities. At the end of the year, the outstanding principal amount of this liability is	(6,486,283)	(7,721,806)
Net long-term liabilities at the end of the year	58,296,854	57,843,793

b) Of the net long-term liabilities reported in (a) of this note, $37,308,853 in principal payments are payable from 1987 to 1991, $20,380,168 from 1992 to 1996, and $607,833 in 1997 and thereafter. These are summarized as follows:

	1987 to 1991 $	1992 to 1996 $	1997 and thereafter $
- from general municipal revenues	34,992,981	19,725,598	607,833
- from benefitting landowners	494,812	143,042	–
- from other sources	1,821,060	511,528	–
	37,308,853	20,380,168	607,833

c) Included in "Net long-term liabilities" on the "Consolidated Balance Sheet" is an amount of **$8,924,548** (1985 - $10,442,022) payable in U.S. dollars, which was converted into Canadian dollars at the rate of exchange prevailing when the liability was incurred. If the liability is converted into Canadian dollars at the exchange rate prevailing at December 31, 1986, the liability would be increased by **$3,525,196** (1985 - $3,825,074).

d) The City issues debentures for the cost of acquiring and servicing industrial land, and operates, in accordance with Section 210(50) of the Municipal Act, a reserve fund through which the proceeds from the sale of land are used for repayment of debenture debt. The selling price of the land is established at a rate which will recover the total acquisition, financing and servicing costs. The repayment of this debt is a direct and general obligation of The Corporation of the City of London. As at December 31, 1986 the amount of outstanding debentures to be retired from future sales of land is **$2,332,588** (1985 - $1,958,672).

e) Approval of the Ontario Municipal Board, or an Order in Council, has been obtained for the long-term liabilities in (a) issued in the name of the Municipality.

9. Municipal Fund Balances at the End of the Year

a) The Municipal Fund Balances at the End of the Year on the "Consolidated Statement of Operations" totalling **$4,390,462** (1985 - $4,883,344) are comprised of the following:

	1986 $	1985 $
- for general reduction of taxation	3,042,377	3,372,228
- for general reduction (increase) of user charges		
- London Public Library Board	8,691	16,826
- London Downtown Improvement Area	(7,412)	27,893
- East London Improvement Area	4,591	797
- acquisition of fixed assets to be financed from the proceeds of long-term liabilities	(1,334,139)	(1,152,360)
- acquisition of fixed assets to be recovered through reserves and reserve funds	(244,673)	(570,972)
- acquisition of fixed assets to be recovered through grants and donations	(589,991)	(735,670)
- funds available for the acquisition of fixed assets	3,511,018	3,924,602
	4,390,462	4,883,344

b) Approval of the Ontario Municipal Board, or an Order in Council, has been obtained for the pending issue(s) of long-term liabilities and for those commitments to be financed from revenues beyond the term of Council. As at December 31, 1986, approval has been obtained for approximately $15,000,000.

NOTES TO THE FINANCIAL STATEMENTS

10. Reserves and Reserve Funds

The total balances of reserves and reserve funds of **$8,590,454** (1985 - $7,516,768) and **$22,914,458** (1985 - $18,132,830), respectively, are made up of the following:

	1986 $	1985 $
Reserves set aside for specific purposes by Council		
- for working capital	4,256,766	3,756,766
- for contingencies	2,615,176	1,867,248
- for economic growth	572,129	941,551
- for the acquisition of fixed assets	231,998	261,353
- for self insurance	331,500	108,073
- for workers' compensation	313,318	312,210
- for transit fare stabilization	269,567	269,567
Total Reserves	8,590,454	7,516,768
Reserve funds set aside for specific purposes by Council		
- for the acquisition of fixed assets		
- vehicles	6,675,411	6,607,297
- facilities	840,996	2,218,355
- for recreation programs and facilities	3,113,482	2,111,439
- for park purposes	175,196	168,201
- for self insurance	760,519	384,841
- for sick leave	1,008,082	1,356,969
- for capital grants	496,529	456,021
- for industrial oversizing	1,232,310	829,502
- for Urban Growth Capital Works	6,612,752	2,451,876
- Downtown Facade Improvement Program	80,411	0
	20,995,688	16,584,501
Reserve funds set aside for specific purposes for legislation, regulation, or agreement		
- for park purposes	1,646,451	1,289,576
- for industrial land debt retirement	270,085	257,140
- for parking purposes	2,234	1,613
	1,918,770	1,548,329
Total Reserve Funds	22,914,458	18,132,830

NOTES TO THE FINANCIAL STATEMENTS

11. Charges for Net Long-Term Liabilities

Total charges, for the year for net long-term liabilities, which are reported on the "Consolidated Statement of Operations" are as follows:

	1986 $	1985 $
Principal payments	8,696,939	7,633,760
Interest	5,876,573	5,365,363
	14,573,512	12,999,123

The charges for long-term liabilities assumed by the non-consolidated entities are not reflected in these statements.

12. Urban Growth Capital Works Reserve Fund

Since 1973, the City, pursuant to a by-law passed under the authority of private legislation and approved by the Ontario Municipal Board, has imposed development charges at specified rates whenever building permits are issued for the purpose of constructing boundary roads and outlet sewers, among other things, and has paid such charges into a reserve fund. Developers and subdividers, constructing facilities whose costs are eligible for this reimbursement from the City, are committed to having their claims paid from this reserve fund as and when sufficient amounts have accumulated to meet individual claims.

The total amount of outstanding claims against the reserve fund at the year end are as follows:

	1986 $	1985 $
Value of claims received but not authorized for payment	52,189	69,500
Value of claims received and authorized for payment	851,420	606,732
	903,609	676,232

The balance in the Urban Growth Capital Works Reserve Fund as at December 31, 1986 was $6,612,752 (1985 - $2,451,876).

NOTES TO THE FINANCIAL STATEMENTS

13. Contingent Liabilities

a) The Municipality is contingently liable for long-term liabilities with respect to those for which the responsibility for the payment of principal and interest has been assumed by school boards, unconsolidated local boards, municipal enterprises and utilities. The total amount outstanding as at December 31, 1986 is **$6,486,283** (1985 - $7,721,806).

b) The London Transit Commission is under contract to purchase nine transit coaches at a cost of $1,614,000, which is to be financed as follows:

	$
Ministry of Transportation & Communications	1,211,000
Municipal Contribution	403,000
	1,614,000

c) The London Downtown Improvement Area rents premises under a long-term operating lease which expires May, 1991, the annual rental for which is approximately $4,900. The aggregate rental payable to the expiry date amounts to $22,150. There is an option to extend the lease a further five years at an annual rental to be negotiated.

d) The City of London has guaranteed the repayment of principal and interest with respect to a $1,500,000 debenture issue by Covent Garden Parking Inc. The issue of these debentures pertains to the construction of a parking garage at St. Joseph's Hospital.

The amount of this contingent liability is highlighted in the following table:

	1986	1985
Outstanding Principal December 31	886,000	974,000
Future Interest Payments	337,750	430,063
	1,223,750	1,404,063

This obligation will be retired by the end of 1993. Ontario Municipal Board approval was received for this agreement.

e) As at December 31, 1986, certain legal actions and other contingent liabilities are pending against the municipality. An estimate of the contingency cannot be made since the outcome of these matters is indeterminate at this time.

14. Nonaccrual of Interest on Long-term Liabilities

No provision has been made in these financial statements for the accrual of interest on the net long-term liabilities. Had this provision been made, the municipal fund balances as at December 31, 1986 would have been decreased by **$957,336** (1985 - $993,400).

AUDITORS' REPORT
TRUST FUNDS

Touche Ross & Co
Chartered Accountants
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Touche Ross

AUDITORS' REPORT

To the Members of Council, Inhabitants
and Ratepayers of the Corporation of
the City of London

We have examined the balance sheet of the trust funds of the Corporation of the City of London as at December 31, 1986 and the statement of continuity of trust funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances, except as described in the following paragraph.

The trust funds of the Corporation of the City of London derive receipts from donations and deposits for residents of the home for the aged which by their nature are not susceptible to complete audit verification. Accordingly, our verification of such receipts was limited to accounting for the amounts recorded in the records of the Corporation.

In our opinion, except for the effect of any adjustments which might have been required had receipts from donations and deposits for residents of the homes for the aged been susceptible to complete audit verification, these financial statements present fairly the financial position of the trust funds of the Corporation of the City of London as at December 31, 1986 and the continuity of trust funds for the year then ended in accordance with the accounting principles disclosed in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

TOUCHE ROSS & CO.

Chartered Accountants
Licence Number 1239

London, Canada,
March 31, 1987.

TRUST FUNDS—STATEMENT OF CONTINUITY & BALANCE SHEET

STATEMENT OF CONTINUITY

	1986 $	1985 $
Balance at the beginning of the year	4,195,082	2,697,957
Revenue		
Capital Receipts	3,271,964	3,513,498
Interest Earned	280,484	291,640
Transfer from Reserve Fund		1,719,661
	3,552,448	5,524,799
Expenditures		
Transfer to Reserve Fund	46,380	0
Forgiveness Earned	128,312	62,935
Maintenance Payments - Dearness Home	3,233,392	3,182,204
Miscellaneous	190,117	782,535
	3,598,201	4,027,674
Balance at the end of the year	4,149,329	4,195,082

BALANCE SHEET

	1986 $	1985 $
Assets		
Cash and Short Term Deposits	2,278,846	2,506,506
Accounts Receivable	1,287,154	1,170,924
Investments	583,329	517,652
	4,149,329	4,195,082
Liabilities		
Accounts Payable	0	0
Fund Equity	4,149,329	4,195,082
	4,149,329	4,195,082

The accompanying notes are an integral part of this financial statement.

NOTES TO THE TRUST FUND STATEMENTS

1. Accounting Policies

a) Basis of Consolidation

These statements reflect the assets, liabilities, revenues and expenditures of the trust funds of the following boards, municipal enterprises and utilities:

The Board of Commissioners of Police of the City of London
London Transit Commission
London Public Library Board
East London Improvement Area (also known as Centretown B.I.A.)
London Downtown Improvement Area

b) Non-Consolidated Entities

The following local boards, joint local boards, municipal enterprises and utilities are not consolidated in these statements:

London Public Utilities Commission - Electrical Department
London Public Utilities Commission - Waterworks Department
London Public Utilities Commission - Parks Department
London Public Utilities Commission - Recreation Department
London Public Utilities Commission - P.U.C. Sports and Recreation Incorporated
London Public Utilities Commission - Storybook Gardens
Middlesex-London District Health Unit
London Regional Art Gallery

c) Basis of Accounting:

Revenues and expenditures are reported on the accrual basis of accounting with the exception of interest earned on investments which are recorded in the period received.

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

d) Investments:

The total investments of **$583,329** (1985 - $517,652) are reported at cost which is also the market value as at December 31.

e) Ontario Home Renewal Program:

Effective January 1, 1985, amendments to regulations required that the Ontario Home Renewal Program funds be accounted for as a trust fund rather than a reserve fund.

ACCOUNTANTS' REPORT

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Telephone 519 679-1880

Touche Ross

ACCOUNTANTS' REPORT

Our examination of the consolidated financial statements of the Corporation of the City of London for the year ended December 31, 1986 was made for the purpose of forming an opinion on the basic financial statements referred to in our auditors' report to the Members of Council, Inhabitants and Ratepayers of the Corporation of the City of London dated March 31, 1987. The Consolidated Schedules of Current Operations, Capital Operations and Reserves and Reserve Funds are provided for purposes of additional information and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the examination of the basic financial statements and accordingly we do not express an opinion on the fair presentation of the information referred to above.

Touche Ross & Co.

TOUCHE ROSS & CO.

Chartered Accountants
Licence Number 1239

London, Canada,
March 31, 1987.

CONSOLIDATED SCHEDULE OF CURRENT OPERATIONS

For the year ended December 31, 1986

	Budget 1986 $	Actual 1986 $	Actual 1985 $
Revenue			
Taxation and User Charges			
Residential and farm taxation	112,329,848	114,405,139	102,347,048
Commercial, industrial and business taxation	73,277,965	72,017,283	64,060,961
Taxation from other governments	6,958,656	7,159,591	7,069,103
User charges	25,725,859	24,883,596	22,301,921
Deduct:			
Amount received or receivable on behalf of school boards	(94,507,180)	(94,512,764)	(82,213,772)
Grants			
Government of Canada	2,654	28,103	82,907
Province of Ontario	57,682,015	58,015,166	55,252,978
Other municipalities	4,300	80,104	2,097
Other			
Investment income	1,756,000	2,143,603	1,545,943
Miscellaneous	941,050	2,377,856	2,837,634
Net municipal revenue	184,171,167	186,597,677	173,286,820
Expenditures			
General government	17,868,319	16,560,456	15,819,857
Protection to persons and property	41,068,861	41,460,146	38,340,076
Transportation services	42,958,329	41,482,301	37,819,161
Environmental services	23,229,452	23,534,373	21,576,819
Health services	1,609,051	1,620,396	1,526,829
Social and family services	35,757,802	36,695,335	33,858,010
Recreation and cultural services	13,025,260	13,028,602	12,227,258
Planning and development	3,702,283	3,671,807	2,965,578
Total Expenditures	179,219,357	178,053,416	164,133,588
Net transfer (to) from other funds			
Reserves and Reserve Funds	(6,151,000)	(6,995,838)	(6,005,824)
Capital Operations	(1,847,050)	(1,917,920)	(1,538,492)
Total net transfer	(7,998,050)	(8,913,758)	(7,544,316)
Surplus (deficit) for the year	(3,046,240)	(369,497)	1,608,916
Surplus (deficit) at the beginning of the year	3,046,240	3,417,744	1,808,828
Surplus (deficit) at the end of the year	0	3,048,247	3,417,744

CONSOLIDATED SCHEDULE OF CAPITAL OPERATIONS

For the year ended December 31, 1986

	1986 $	1985 $
Sources of funds		
Long-term liabilities incurred	9,150,000	12,500,000
Ontario grants	7,980,095	5,623,831
Federal grants	164,630	602,787
Other	1,136,169	1,322,624
Net transfers from other funds		
- current operations	1,917,920	1,538,492
- reserve funds	6,229,101	5,076,199
	26,577,915	26,663,933
Expenditures		
General government	1,198,050	915,840
Protection to persons and property	1,137,308	768,925
Transportation services	8,704,956	12,052,017
Environmental services	10,670,175	5,535,571
Social and family services	451,038	321,551
Recreation and cultural services	1,933,497	3,050,948
Planning and development	2,606,276	1,087,692
	26,701,300	23,732,544
Unexpended capital financing (or capital operations not yet financed) at the beginning of the year	1,465,600	(1,465,789)
Unexpended capital financing (or capital operations not yet financed) at the end of the year	1,342,215	1,465,600

CONSOLIDATED SCHEDULE OF RESERVES & RESERVE FUNDS For the year ended December 31, 1986

	1986 $	1985 $
Balance at the beginning of the year	25,649,598	24,315,362
Revenues		
Contributions from revenue fund	7,272,949	6,648,408
Contributions from capital fund	77,500	63,581
Contributions from developers	8,022,428	4,933,267
Investment income	2,024,943	1,740,340
Sale of industrial land	268,677	103,960
Grants	0	99,904
Other	763,487	508,344
	18,429,984	14,097,804
Expenditures		
Transfers to capital fund	6,306,601	5,139,780
Transfers to revenue fund	277,111	513,051
Charges for long-term liabilities	581,650	764,764
Payments to developers	4,231,424	3,851,767
Other	1,177,884	2,494,206
	12,574,670	12,763,568
Balance at the end of the year	31,504,912	25,649,598
Reserves		
Working capital	4,256,766	3,756,766
Contingencies	2,615,176	1,867,248
Economic growth	572,129	941,551
Acquisition of fixed assets	231,998	261,353
Self insurance	331,500	108,073
Workers' compensation	313,318	312,210
Transit fare stabilization	269,567	269,567
Total Reserves	8,590,454	7,516,768
Reserve funds		
Acquisition of fixed assets		
- Vehicles	6,675,411	6,607,297
- Facilities	843,230	2,219,968
Recreational programs & facilities	3,113,482	2,111,439
Park purposes	1,821,647	1,457,777
Self insurance	760,519	384,841
Sick leave	1,008,082	1,356,969
Capital grants	496,529	456,021
Industrial oversizing	1,232,310	829,502
Urban growth capital works	6,612,752	2,451,876
Industrial land debt retirement	270,085	257,140
Downtown Facade Improvement Program	80,411	0
Total Reserve Funds	22,914,458	18,132,830
Total Reserves and Reserve Funds	31,504,912	25,649,598

SITES IN LONDON